

SUMMARY ANALYSIS OF AMENDED BILL

Author: Morrissey Analyst: Paul Brainin Bill Number: AB 2092

Related Bills: None Telephone: 845-3380 Amended Date: 03-31-98

Attorney: Doug Bramhall Sponsor: ACES

SUBJECT: Child Care Deduction

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced February 18, 1998.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 18, 1998, STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

This bill would add to the Personal Income Tax Law (PITL) a deduction for the amount paid or incurred by a taxpayer for the costs of child care.

SUMMARY OF AMENDMENT

The March 31, 1998, amendment limited the allowed deduction to of \$150 per week per child.

The department's analysis of the bill as introduced February 18, 1998, still applies. The \$150 limit has not changed the revenue estimate, since the estimate assumed an average family's child care cost of \$74 per week. The department's unresolved policy and implementation concerns are listed below for convenience.

Policy Considerations

The federal child care credit allows a credit for a percentage of the amount of the child care costs necessary to permit employment of the taxpayer. This bill would not require the taxpayer to be employed to take the deduction.

Under current law, an employee may exclude from income up to \$5,000 paid or

DEPARTMENTS THAT MAY BE AFFECTED:

___ STATE MANDATE

___ GOVERNOR'S APPOINTMENT

Board Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
___ X ___ PENDING

Agency Secretary Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
DEFER TO _____

GOVERNOR'S OFFICE USE

Position Approved ___
Position Disapproved ___
Position Noted ___

Department/Legislative Director Date
Gerald H. Goldberg **4/7/98**

Agency Secretary Date

By: Date:

incurred by the employer for dependent care assistance provided to the employee under a "cafeteria plan" if the assistance meets certain requirements. While the federal credit is reduced by the amount of dependent care assistance, this bill could allow the amount excluded from taxable income for dependent care assistance also to be deducted as the costs of child care.

Implementation Considerations

Since there is no federal deduction for child care expenses, this bill would require a separate itemized deduction on the California return because of differences in federal and state law. This may complicate the preparation of tax returns.

This bill does not define child care or child care expenses, which may lead to broad interpretations and disputes between taxpayers and the department.

This bill does not define "children of the taxpayer"; therefore, it is unclear whether foster children, adopted children, and children who are dependents (but not biological children of the taxpayers) may be included.

This bill does not provide rules regarding parents who file separate returns or for parents who share custody of the children.

This bill would cause forms and instructions revisions that could be accomplished during the normal forms update cycle. However, it would be very difficult to write instructions without further definitions of the terms used.